MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BBF3094 – CREDIT MANAGEMENT

(All sections / Groups)

10 OCTOBER 2015
2.30 p.m - 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 5 Questions only.

2. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

It's no surprise that digital is changing the way we bank, and we expect to see even more of the digital revolution to take place in 2015. A recent PricewaterhouseCoopers (PwC) study predicts that in 2015, for the first time, digital banking is set to overtake branch networks as the preferred way for customers to interact with their bank.

i. Discuss three (3) reasons you think that contribute to the trend on digital banking.
(10 marks)

ii. Explain why digital banking would overtake bank branch networks. Provide five (5) justifications from the bank point of view.
(15 marks)

(Total: 25 marks)

QUESTION 2

In addition to marketing and promotions, and offering a wide range of bank's products and services, all processes are effective in attracting; motivating customers and increasing market share are included. The overall aim of marketing is to increase sales of products and services and ultimately to increase profits.

How you would strategies your marketing approach when banks are facing tough competition from other agencies, both local and foreign, that offer value-added services. Discuss five (5) strategies.

(Total: 25 marks)

QUESTION 3

Determining the effectiveness of loan pricing is a critical element in ensuring a bank is generating an adequate level of profit.

Discuss the elements you would take into consideration when pricing a loan.

(Total: 25 marks)

Continued...

QUESTION 4

Given the major contribution of small and medium-size enterprises (SMEs) in recent years in the areas of employment enhancement and the increase in the amount of exports of SME-manufactured products (currently more than 80% of the total manufacturing firms in Malaysia are SMEs), it would appear vital to encourage more smaller businesses to export, and to increase their share of the total exports. EXIM Bank of Malaysia has built a working relationship with the agencies that oversee SMEs is a natural collaboration for EXIM Bank to reach out to 'export ready' SMEs. To assist direct and indirect exporters EXIM bank introduces the Export Credit Refinancing (ECR) a short-term trade financing scheme.

i. Explain what Export Credit Refinancing (ECR) is.

(5 marks)

ii. Explain and illustrate how ECR scheme works.

(20 marks)

(Total: 25 marks)

QUESTION 5

Assessing the risk of lending is an essential part of deciding whether to provide financing to a customer. In evaluating borrower's creditworthiness, banker adopts a method that incorporates both qualitative and quantitative measures.

Why do banks use the Five Cs of Credit to determine a borrower's credit worthiness? You should provide definitions as well as justifications for each of the Five Cs.

(Total: 25 marks)

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